

COMPANY REGISTRATION NUMBER 01072921

PIZZA HUT (UK) LTD
FINANCIAL STATEMENTS
1 DECEMBER 2013

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PIZZA HUT (UK) LTD

FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

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PIZZA HUT (UK) LTD

STRATEGIC REPORT

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

The directors present their report and the financial statements of the company for the period from 3 December 2012 to 1 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was trading as a restaurant operator.

Business Review

In November 2012 PHH2 Ltd completed the acquisition of the entire share capital of the company from YUM! Brands Inc. The ultimate holding company is PHH1 Ltd, which holds 100% of the share capital of PHH2. Since the change in ownership in November 2012 the management team has continued the strategic objective of developing and revitalising the Pizza Hut Restaurant brand within the UK.

At the balance sheet date, Pizza Hut (UK) Ltd operated 307 restaurants, having closed 21 underperforming restaurants during the period.

Results from the continuing restaurants have seen a significant improvement during the year with operating profit before exceptional items from continuing operations improving by £6.4 million. In the prior year the profit for the financial period of £5.0 million did benefit from some significant one off credits related to the business sale. The strong financial condition of the company is reflected by a cash balance of £29.1 million at balance sheet date. Despite the economic backdrop in 2012/13, the company has continued increasing profitability by focussing on improving customer experience rather than competing for customers using high levels of discounting.

Outlook

During 2014 Pizza Hut (UK) Ltd will continue with the significant but targeted investment programme to both re-image restaurants and to improve service as well as enhancing the menu offering to customers. The company plans to undertake a re-image programme of between 60 and 70 restaurants in the year as well as investing in both restaurant IT infrastructure and rolling out a number of customer enhancing experiences. Significant progress has been made in reshaping the restaurant estate for the future. The programme of closing underperforming stores will continue and this will further improve profitability and cash generation.



Mr H Birts
Director

Approved by the directors on 30/4/14

PIZZA HUT (UK) LTD

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

RESULTS AND DIVIDENDS

The loss for the period amounted to £1,281,000 (2012: profit of £5,009,000). The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the period were as follows:

Mr J Hofma
Mr H Birts
Ms K Austin
Mr M Spencer

None of the directors who held office at the end of the period had any disclosable interest in the shares of the company.

GOING CONCERN

The directors believe that the company is a going concern as it is in a net asset position and is able to satisfy all liabilities as they fall due.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

Throughout this period, Team Member engagement has remained a key focus for the business. Communication takes place through team, function, area, district and company meetings as well as regular newsletters and blogs from senior management.

Pizza Hut's internal two way communication and social media website is used to share video news and announcements and every piece of communication allows Team Members to publicly give their opinion and feedback on anything they wish. Team Members are actively encouraged to share their views on anything in the business, and they are regularly canvassed for ideas and suggestions on business activity both through this website and regular company engagement surveys.

PIZZA HUT (UK) LTD

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

Disclosure of information to auditors

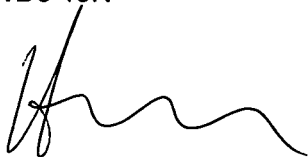
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITOR

KPMG LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:
One Imperial Place
Elstree Way
Borehamwood
Hertfordshire
WD6 1JN

Signed by order of the directors



MR H BIRTS
Director

Approved by the directors on 30/4/14.....

PIZZA HUT (UK) LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PIZZA HUT (UK) LTD

We have audited the financial statements of Pizza Hut (UK) Ltd for the period from 3 December 2012 to 1 December 2013 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PIZZA HUT (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PIZZA HUT (UK) LTD *(continued)*

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



15 Canada Square
London
E14 5GL

9 May 2014

ROBERT BRENT (Senior Statutory Auditor)
For and on behalf of
KPMG LLP
Chartered Accountants
& Statutory Auditor

PIZZA HUT (UK) LTD

PROFIT AND LOSS ACCOUNT

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

		2013	2012	2012	2012
			Continuing	Discontinued	Total
	Note	£000	£000	£000	£000
TURNOVER	2	230,106	251,065	17,627	268,692
Other operating income	3	522	700	4,154	4,854
		230,628	251,765	21,781	273,546
Raw materials and consumables		(52,078)	(57,366)	(4,356)	(61,722)
Other external charges		(87,525)	(98,240)	(6,972)	(105,212)
Staff costs	4	(79,716)	(88,261)	(9,546)	(97,807)
Depreciation and other amounts written off tangible and intangible assets	5	(9,622)	(12,570)	(636)	(13,206)
OPERATING PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS		1,687	(4,672)	271	(4,401)
Exceptional Items	7	(2,136)			5,177
OPERATING (LOSS) / PROFIT		(449)			776
Interest receivable	9	97			758
Interest payable and similar charges	9	(616)			(205)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(968)			1,329
Tax on ordinary activities	10	(313)			3,680
(LOSS) / PROFIT FOR THE FINANCIAL PERIOD		(1,281)			5,009

The notes on pages 10 to 27 form part of these financial statements

PIZZA HUT (UK) LTD

BALANCE SHEET

1 DECEMBER 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
FIXED ASSETS					
Intangible assets	11		1,150		1,334
Tangible assets	12		45,811		50,513
Investments	13		2,262		2,262
			<u>49,223</u>		<u>54,109</u>
CURRENT ASSETS					
Stocks	14	1,125		1,135	
Debtors	15	9,138		8,692	
Cash at bank		29,117		27,990	
		<u>39,380</u>		<u>37,817</u>	
CREDITORS: Amounts falling due within one year	16	(46,351)		(47,266)	
NET CURRENT LIABILITIES			<u>(6,971)</u>		<u>(9,449)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>42,252</u>		<u>44,660</u>
PROVISIONS FOR LIABILITIES					
Deferred taxation	20		983		(144)
NET ASSETS EXCLUDING PENSION ASSET			<u>43,235</u>		<u>44,516</u>
Defined benefit pension scheme asset	21		-		-
NET ASSETS INCLUDING PENSION ASSET			<u>43,235</u>		<u>44,516</u>
CAPITAL AND RESERVES					
Called-up equity share capital	23		71,505		71,505
Profit and loss account	24		(28,270)		(26,989)
SHAREHOLDER'S FUNDS	25		<u>43,235</u>		<u>44,516</u>

These financial statements were approved by the directors and authorised for issue on 30/11/14, and are signed on their behalf by:



MR H BIRTS

Company Registration Number: 01072921

PIZZA HUT (UK) LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

	2013 £000	2012 £000
(Loss) /profit for the financial period	(1,281)	5,009
Actuarial gain in respect of defined benefit pension scheme	-	4,786
Deferred Tax (charge) arising on other gains recognised in this statement	-	(1,101)
	<hr/>	<hr/>
Total (losses)/gains recognised since the last annual report	(1,281)	8,694

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover is recognised at the point of sale and represents the amount of sales in the United Kingdom, stated net of value added tax.

Fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental cost of acquisition, less accumulated depreciation and when appropriate, provision for impairment.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings – 40 years.

Leasehold land and buildings, acquisition premium – effective life of the lease.

Fixtures, fittings, tools and equipment – 3 years to 10 years.

Motor vehicles – 3 years.

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Stocks

Stocks are stated at the lower of cost and net realisable value on a first in, first out basis.

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pension costs and other post-retirement benefits

The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Following the sale of Pizza Hut (UK) Limited, responsibility for the assets and liabilities relating to the Pizza Hut (UK) Investment Plan (the defined benefit pension scheme), transferred to Yum! III (UK) Limited on 4 November 2012. As a result the position at the current balance sheet date shows no obligations or funds associated with the defined benefit scheme.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Share-based payments

The former ultimate parent company, Yum! Brands Inc., operates a number of share-based incentive schemes (awards of shares and options). These share option programmes allowed employees to acquire shares in Yum! Brands Inc.

The fair value of the options granted is recognised as an employee expense. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Following the sale of Pizza Hut (UK) Limited, the responsibility for the liabilities relating to the share options, transferred to Yum! III (UK) Limited on 4 November 2012. As a result the Company shows no obligations associated with the share options.

Rent free periods

Where a rent free period is granted to the company, the accounting policy adopted is to charge the profit and loss account with a constant periodic rental over the period to the date of the next rent review.

Going concern

The accounts have been prepared on a going concern basis.

Operating rights

Operating rights, representing initial franchise fees payable for new restaurants, are amortised over a fixed period of 20 years. Initial fees receivable on franchise restaurants are recognised in the period of opening.

Restaurants in course of construction

Capital costs are included in tangible fixed assets, and depreciated from the time that they are recognised as an asset on the fixed asset register. Revenue costs are expensed as incurred.

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2013	2012	2012
	£000	Continuing £000	Discontinued £000
United Kingdom	230,106	251,065	17,627

3. OTHER OPERATING INCOME

	2013	2012	2012
	£000	Continuing £000	Discontinued £000
Rent receivable	522	700	275
Advertising contribution from franchisees			1,976
Franchise income	-	-	1,381
Refranchising income	-	-	522
	522	700	4,154

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	2013	2012	2012
	No	Continuing No	Discontinued No
Office and Management	754	763	195
Restaurants	8,589	9,464	1,986
	9,343	10,227	2,181

The aggregate payroll costs of the above were:

	2013	2012	2012
	£000	Continuing £000	Discontinued £000
Wages and salaries	74,498	82,627	7,967
Social security costs	4,478	4,904	465
Other pension costs	740	730	794
Share-based payments	-	-	320
	79,716	88,261	9,546

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

5. OPERATING PROFIT / (LOSS)

Operating Profit / (Loss) is stated after charging:

	2013	2012	2012
	£000	Continuing £000	Discontinued £000
Depreciation of owned fixed assets	9,488	12,423	632
Amortisation of intangible fixed assets	134	147	4
Operating lease costs:			
- Land and Buildings	29,815	31,148	937
Auditor's remuneration – audit of the financial statements	36	53	
Auditor's remuneration – other fees:			
- Taxation services	17	23	
- All other services	-	2	
	<u>17</u>	<u>25</u>	

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration and other payments in respect of qualifying services were:

	2013	2012
	£000	£000
Aggregate remuneration	935	795
Value of company pension contributions to money purchase schemes	84	72
	<u>1,019</u>	<u>867</u>

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

6. DIRECTORS' REMUNERATION *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	2013 No	2012 No
Money purchase schemes	4	4

The number of directors who received benefits under company share option schemes was as follows:

	2013	2012
Exercised Share Options	-	2
Received shares under incentive schemes	-	3

The emoluments, excluding pension contributions, of the highest paid director were £294,000 (2012: £384,000) and the company paid pension contributions of £29,000 (2012: £32,000).

Figures for Directors emoluments do not include amounts related to gains on the exercise of share options.

7. EXCEPTIONAL ITEMS

	2013 £000	2012 £000
Exceptional costs on early lease termination	(1,379)	(762)
Impairment of fixed assets	(757)	(1,294)
Curtailment of pension scheme	-	(14,871)
Loan forgiveness	-	20,131
Sale of Delivery business (see note 8)	-	1,973
	<u>(2,136)</u>	<u>5,177</u>

Exceptional costs on early lease termination – Costs incurred following the decision to exit stores prior to the expiry of the lease.

Impairments – The impairment of the tangible fixed assets following a review in accordance with FRS 11.

Curtailment of pension scheme – The removal of the pension asset following a transfer of the assets and liabilities of the defined benefit pension scheme to Yum! III (UK) Limited.

Loan forgiveness – Write off of an intercompany loan which was forgiven during the year.

Sale of Delivery business – Profit on the sale of the delivery business to Yum! III (UK) Limited as detailed in Note 8.

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

8. SALE OF DELIVERY AND ADVERTISING CO-OPERATIVES BUSINESS

	2012 £000	2012 £000	2012 £000	2012 £000
		Pizza Hut HSR Advertising Limited	Pizza Hut FSR Advertising Limited	Total
Net assets disposed of				
Fixed assets (Tangible and Intangible)	4,107	-	-	4,107
Stocks	277	-	-	277
Debtors	2,926	647	567	4,140
Cash	3,194	809	329	4,332
Net liabilities disposed of				
Creditors	(10,281)	(1,434)	(745)	(12,460)
Gain on disposal	2,145	(21)	(151)	1,973
Total	<u>2,368</u>	<u>1</u>	<u>-</u>	<u>2,369</u>
Satisfied by				
Cash	<u>2,368</u>	<u>1</u>	<u>-</u>	<u>2,369</u>

The full shareholding of Pizza Hut FSR Advertising Limited was sold on the 4 April 2012 to Yum! III (UK) Limited for a consideration of £100.

The full shareholding of Pizza Hut HSR Advertising Limited was sold on the 4 April 2012 to Yum! III (UK) Limited for a consideration of £1000.

On 19 April 2012 the Delivery Business was sold to Yum! III (UK) Limited for a consideration of £2,368,000.

As part of the sale of the Delivery business, a flexible apportionment arrangement was signed to transfer the assets and liabilities of the defined benefit pension scheme to Yum! III (UK) Limited. The accounting for this disposal is shown separately in notes 7 and 21.

9. INTEREST RECEIVABLE AND PAYABLE AND SIMILAR CHARGES

Interest Receivable

	2013 £000	2012 £000
Deposit Interest	(97)	(758)
	<u>(97)</u>	<u>(758)</u>

Interest Payable

	2013 £000	2012 £000
Bank Interest	11	4
Intercompany Interest	605	201
	<u>616</u>	<u>205</u>

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

10. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of (charge)/credit in the period

	2013 £000	2012 £000
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 23.33% (2012: 24.65%)	1,408	(452)
Under provision in prior year	32	20
Total current tax	1,440	(432)
Deferred tax:		
Origination and reversal of timing differences	(1,127)	(3,248)
Tax on ordinary activities	313	(3,680)

(b) Factors affecting current tax charge

The differences are explained below:

	2013 £000	2012 £000
Current Tax at 23.33% (2012: 24.65%)	(223)	328
Expenses not deductible for tax purposes (primarily business sale related and depreciation of Ineligible assets)	1946	(1,127)
Differences between capital allowances and depreciation of eligible assets	685	347
Corporation tax based on results for the period	1,408	(452)
Under provision in prior year	32	20
Total current tax credit (see above)	1,440	(432)

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(d) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

11. INTANGIBLE FIXED ASSETS

	Operating Rights £000
COST	
At 2 December 2012	4,494
Disposals	(120)
At 1 December 2013	4,374
AMORTISATION	
At 2 December 2012	3,160
Charge for the period	134
On disposals	(70)
At 1 December 2013	3,224
NET BOOK VALUE	
At 1 December 2013	1,150
At 2 December 2012	1,334

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

12. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Assets in Course of Construction £000	Fixtures & Fittings £000	Total £000
COST OR VALUATION				
At 2 December 2012	138,559	621	83,164	222,344
Additions	2,204	1,793	3,273	7,270
Disposals	(7,293)	-	(6,441)	(13,734)
Transfers	688	(903)	215	-
At 1 December 2013	134,158	1,511	80,211	215,880
DEPRECIATION				
At 2 December 2012	97,425	-	74,406	171,831
Charge for the period	5,893	-	3,595	9,488
On disposals	(6,114)	-	(5,893)	(12,007)
Impairment charge	591	-	166	757
At 1 December 2013	97,795	-	72,274	170,069
NET BOOK VALUE				
At 1 December 2013	36,363	1,511	7,937	45,811
At 2 December 2012	41,134	621	8,758	50,513

13. INVESTMENTS

£000

COST AND NET BOOK VALUE

At 1 December 2013 and 2 December 2012 2,262

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

13. INVESTMENTS *(continued)*

The company owns 100% of the issued share capital of the companies listed below

Name of Company	Holding	Nature of Business
West End Restaurants (Holdings) Limited *	Ordinary Shares	Holding Company
West End Restaurants (Investments) Limited *	Ordinary Shares	Holding Company
West End Restaurants Limited	Ordinary Shares	Dormant Company

*Direct holding of Pizza Hut (UK) Ltd

14. STOCKS

	2013 £000	2012 £000
Ingredients	1,057	1,085
Merchandising	68	50
	<u>1,125</u>	<u>1,135</u>

15. DEBTORS

	2013 £000	2012 £000
Trade debtors	4,664	4,624
Corporation tax repayable	-	34
Prepayments and accrued income	4,474	4,034
	<u>9,138</u>	<u>8,692</u>

16. CREDITORS: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	6,939	6,207
Amounts owed to parent undertaking	5,090	6,693
Amounts owed to group undertakings	12,532	12,532
Other creditors including taxation and social security:	7,153	9,016
Other creditors	2,328	446
	<u>34,042</u>	<u>34,894</u>
Accruals	12,309	12,372
	<u>46,351</u>	<u>47,266</u>

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

17. RELATED PARTY DISCLOSURES (GROUP AND COMPANY)

Pizza Hut (UK) Ltd pays a management fee to Rutland Partners LLP. During the period to 1 December 2013 it amounted to £150k.

18. GUARANTEE

There is a charge over the assets of Pizza Hut UK for Loan Notes of £21.05 million, issued by PHH2. The loan notes are repayable on 10 November 2017.

19. SHARE-BASED PAYMENTS (GROUP AND COMPANY)

Equity-settled share-based payments

Following the sale of Pizza Hut (UK) Limited, the responsibility for the liabilities relating to the share options, transferred to Yum! III (UK) Limited on 4 November 2012. As a result the Company shows no obligations associated with the share options.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2013		2012	
	No	WAEP \$	No	WAEP \$
Outstanding at the beginning of the year	-	-	275,839	34.58
Granted during the year	-	-	41,959	64.44
Forfeited during the year	-	-	(141,113)	43.73
Transferred to YUM III Ltd	-	-	(129,922)	34.25
Exercised during the year	-	-	(46,763)	70.13
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS

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19. SHARE-BASED PAYMENTS (GROUP AND COMPANY) *(continued)*

The inputs into the model were as follows:

	2013	2012
Weighted average share price - \$	-	-
Weighted average exercise price - \$	-	64.44
Expected volatility - %	-	27.67
Expected life – years	-	6.00
Risk free rate - %	-	0.37

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The company recorded total expenses of £nil during the year ended 1 December 2013 (2012- £320,000) in respect of equity share based payments.

20. DEFERRED TAXATION (GROUP AND COMPANY)

The movement in the deferred taxation provision during the period was:

	2013 £000	2012 £000
Provision brought forward	(144)	(2,291)
Profit and loss account movement arising during the period	1,127	3,248
Statement of total recognised gains and losses movement arising during the period	-	(1,101)
Provision carried forward	983	(144)

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2013 £000	2012 £000
Excess of depreciation on fixed assets over taxation allowances	582	(821)
Other timing differences	401	677
	983	(144)

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21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (GROUP AND COMPANY)

Following the sale of Pizza Hut (UK) Limited, responsibility for the assets and liabilities relating to the Pizza Hut (UK) Investment Plan (the defined benefit pension scheme), transferred to Yum! III (UK) Limited on 4 November 2012. As a result the position at the current balance sheet date shows no obligations or funds associated with the defined benefit scheme.

The amounts recognised in the profit and loss account are as follows:

	2013 £000	2012 £000
<i>Amounts charged to operating loss:</i>		
Current service cost	-	1,121
Total operating charge	-	1,121
<i>Amounts included in other finance income:</i>		
Expected return on scheme assets	-	(3,186)
Interest on scheme liabilities	-	2,438
Other finance income	-	(748)
Total charge to the profit and loss account	-	373

Other finance income is included in the profit and loss account within interest payable and similar charges.

Actuarial gains of £nil (2012: £4,786,000 gain) have been recognised in the statement of total recognised gains and losses.

The amounts recognised in the balance sheet are as follows:

	2013 £000	2012 £000
Present value of funded obligations	-	-
Fair value of scheme assets	-	-
Related deferred tax (liability)/asset	-	-
Net pension asset/(liability)	-	-

PIZZA HUT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (GROUP AND COMPANY)

(continued)

Changes in the present value of the defined benefit obligation scheme are as follows:

	2013 £000	2012 £000
Opening defined benefit obligation	-	56,138
Current service cost	-	1,121
Interest on scheme liabilities	-	2,438
Actuarial (gain)/loss	-	(5,863)
Contributions by scheme participants	-	355
Benefits paid	-	(666)
Plan settlements	-	(53,523)
Closing defined benefit obligation	-	-

The fair value of the major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013 %	2012 %
Growth assets	0%	0%
Matching assets	0%	0%

Changes in the fair value of scheme assets are as follows:

	2013 £000	2012 £000
Opening fair value of scheme assets	-	61,440
Expected return on scheme assets	-	3,186
Contributions by employer	-	5,156
Contributions by scheme participants	-	355
Actuarial gain/(loss)	-	(1,077)
Benefits paid	-	(666)
Plan settlements	-	(68,394)
Closing fair value of scheme assets	-	-

The principal actuarial assumptions as at the balance sheet date were:

	2013 %	2012 %
Discount rate	-	4.90
Rate of increase in salaries	-	3.65
Rate of increase in pensions in payment	-	2.90
Rate of increase in deferred pensions	-	2.10
Inflation	-	2.90

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21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (GROUP AND COMPANY) (continued)

Amounts for the current and previous four periods are as follows:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Defined benefit obligation	-	-	(56,138)	(55,474)	(49,877)
Fair value of scheme assets	-	-	61,440	53,254	42,954
Surplus/(deficit) in the scheme	-	-	5,302	(2,220)	(6,923)
Experience adjustments on scheme liabilities (£)	-	-	(4,357)	-	(206)
Experience adjustments on scheme liabilities (%)	-	-	(8)	-	-
Experience adjustments on scheme assets (£)	-	1,077	4,114	1,036	5,159
Experience adjustments on scheme assets (%)	N/A	N/A	7	2	12

The Company operates a number of defined contribution pension schemes. The amount outstanding at year end payable by the Company to the schemes amounted to £74,500 (2012: £ 513,000).

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22. COMMITMENTS

At 1 December 2013 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2013	2012
	£000	£000
Operating leases which expire:		
Within 1 year	1,474	843
Within 2 to 5 years	4,328	6,247
After more than 5 years	21,862	23,711
	<u>27,664</u>	<u>30,801</u>

In relation to the amounts shown above, the company has sublease agreements with an income of £394,000 (2012: £2,361,000)

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

23. SHARE CAPITAL

Authorised share capital:

	2013	2012
	£000	£000
100,000,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2013		2012	
	No	£000	No	£000
71,505,000 Ordinary shares of £1 each	<u>71,505,000</u>	<u>71,505</u>	<u>71,505,000</u>	<u>71,505</u>

24. PROFIT AND LOSS ACCOUNT

	2013	2012
	£000	£000
Balance brought forward	(26,989)	(38,517)
(Loss) / profit for the financial period	(1,281)	5,009
Actuarial gain in respect of defined benefit pension scheme	-	3,685
Re-charge for share based payment	-	2,514
Credit in relation to share based payments	-	320
Balance carried forward	<u>(28,270)</u>	<u>(26,989)</u>

PIZZA HUT (UK) LTD

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25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013	2012
	£000	£000
(Loss) / profit for the financial period	(1,281)	5,009
Actuarial gain in respect of defined benefit pension scheme	-	3,685
Re-charge for share based payment	-	2,514
Credit in relation to share based payments	-	320
Net addition to shareholder's funds	(1,281)	11,528
Opening shareholder's funds	44,516	32,988
Closing shareholder's funds	43,235	44,516

26. ULTIMATE PARENT COMPANY

The immediate parent of Pizza Hut (UK) Limited is PHH2 Limited, a company registered in England and Wales.

The ultimate parent company is PHH1 Limited, a company registered in England and Wales.

The controlling party is deemed to be Rutland Partners LLP through its ownership of PHH1 Limited.